

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2681 - SB 3185

March 2, 2012

SUMMARY OF BILL: Transfers the power to employ and assign teachers and other instructional personnel from local education agencies (LEAs) to the Commissioner of Education. The Commissioner will decide all personnel matters relating to these employees. Deletes multiple sections of current law including Tenn. Code Ann. 49, Chapter 5, Part 4 relative to employment and assignment of personnel; Title 49, Chapter 5, Part 5 relative to teacher tenure; Title 49, Chapter 6, Part 6 relative to collaborative conferencing; Title 49, Chapter 7, Part 7 relative to the state leave plan; Title 49, Chapter 5, Part 8 relative to the teachers' sick leave bank; Title 49, Chapter 5, Part 9 relative to teacher's local retirement systems; and Title 49, Chapter 5, Parts 50, 52, 53, 54, and 55, relative to career ladder supplements.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – \$896,200/One-Time/Human Resources
\$11,680,300/Recurring/Human Resources
\$1,998,440,424/BEP Salary Component and
Teacher Salaries Outside BEP**

Decrease State Expenditures - \$35,500,000/Career Ladder Program

**Decrease Local Expenditures – \$953,900,000/BEP Teacher Salaries
\$1,044,540,424/Permissive/Teacher Salaries Outside BEP**

Other Fiscal Impact - LEAs may also reduce expenditures for human resources, payroll, benefits administration, and other administrative functions. Any reduction in local expenditures for these items is not quantifiable but is estimated to exceed \$1,000,000.

Assumptions:

- According to the Department of Human Resources (DOHR), there are currently 40,544 Executive Branch employees. DOHR has 122 positions and an operating budget of \$11,680,300.

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- To carry out human resources administration and related functions for 64,849 teachers, DOHR estimates that the department will need to double in size, increasing recurring state expenditures \$11,680,300 in equipment, personnel, training, travel, computer access fees, etc.
- DOHR estimates that additional one-time state expenditures will increase by \$896,212 with telephone purchasing \$110 per person ($\$110 \times 122 = \$13,420$); internal administrative costs of \$3,000 per person ($\$3,000 \times 122 = \$366,000$); and rent/office space of \$4,236 per person ($\$4,236 \times 122 = \$516,792$).
- The Department of Education assumes that the state will pay for all of the teachers' salaries. The current BEP local match for teacher salaries is \$953,900,000. The state will increase recurring expenditures for the BEP component for teacher salaries by \$953,900,000. This amount increases in subsequent fiscal years.
- In FY11-12, there were 14,732 teaching positions funded entirely by local education agencies outside of the BEP funding formula. The salaries for these teachers are also assumed by DOE to be paid by the state. The increase in expenditures for these teachers is estimated by DOE to be \$1,044,540,424.
- The total increase in state expenditures for teacher salaries will be \$1,998,440,424 ($\$953,900,000 + \$1,044,540,424$).
- The Career Ladder program will be eliminated. DOE estimates the resulting decrease in state expenditures will be \$35,500,000, which is the amount included in the FY11-12 budget for Career Ladder.
- It is estimated that in FY12-13 and subsequent fiscal years, the increase in state expenditures for DOHR and teacher salaries will increase.
- LEAs may also reduce expenditures for human resources, payroll, benefits administration, and other administrative functions. Any reduction in local expenditures for these items is not quantifiable but is estimated to exceed \$1,000,000.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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